

**Building Alliances for Liberalisation and Reform  
of  
Sugar Policies Globally**

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**Introduction**

The world's efficient sugar producers are determined to achieve positive, progressive and meaningful reform of sugar policies in the World Trade Organization (WTO) agricultural negotiations. They have banded together to form the Global Alliance for Sugar Trade Reform and Liberalisation. In terms of seeking to reform agricultural policies globally this new alliance builds on and extends the foundation laid by the Cairns Group.

The development and *raison d'être* of the Global Alliance is considered in the context of the Cairns Group, and parallels between the Cairns Group and Global Alliance positions in the WTO negotiations are drawn. The similarities of both the Cairns Group and Global Alliance with the broad negotiating mandate tabled in Geneva by the United States are identified. Domestic policy developments in the U.S. and the European Union are important to the overall outcome of the WTO negotiations in agriculture.

**Historical perspective**

***Cairns Group***

The Cairns Group of 18 agricultural exporting countries, formed in 1986, established itself as a third force in world trade negotiations during the course of the Uruguay Round

and, in doing so, effectively put agriculture on the multilateral trade agenda and kept it there. This changed the nature of international trade negotiations.

The Cairns Group is an excellent example of successful coalition building in the trade area. By focussing almost exclusively on one sector, it ensured that the Uruguay Round would not reach a successful conclusion without the inclusion of agriculture. The Agreement on Agriculture carried the Cairns Group's clear stamp. Importantly, the Uruguay Round's built-in agenda for further negotiations on agriculture established the expectation that further liberalisation of agricultural trade would occur. It also provided a framework in which the future negotiations could be conducted.

The Cairns Group was very successful in establishing a framework for the agricultural negotiations. But the detail of the discussions was dominated by the EU and U.S., traditional leaders in trade negotiations. In the end, their bilateral discussions produced the "Blair House Accord." This accord had the cereals sector as its focal point. Commodities such as sugar were captured collaterally in the agreement. Even then, the aggregation of commitments watered down their effect for individual commodities.

The evidence suggests that the elimination of export subsidies, achieving significant increases in market access, and the removal of trade-distorting domestic supports will feature prominently in the mandated WTO agriculture negotiations that commenced in 2000. Even so, non-trade issues such as multifunctionality, labour standards and the environment will add complexity to the negotiations and could divert attention from the real agenda. For individual commodities such as sugar, it will be important to maintain a strong focus on securing new market-liberalising disciplines and seeing these applied on a commodity-by-commodity basis.

### ***Global Alliance for Sugar Trade Reform and Liberalisation***

In November 1999, a group of the world's major sugar producers (both exporters and importers) met in Seattle during the WTO Ministerial meeting to develop an approach that would ensure a focus on sugar in the new agricultural negotiations. They agreed to join forces and commence an effort to elevate the importance of sugar in agricultural negotiations. The Global Alliance for Sugar Trade Reform and Liberalisation was established during this meeting when thirteen countries (Australia, Brazil, Canada, Chile, Colombia, Costa Rica, El Salvador, Honduras, India, Guatemala, Nicaragua, Panama and Thailand) agreed and signed a communiqué calling for WTO agreement on agriculture that includes positive, progressive, and meaningful reform of the world sugar market by ensuring that sugar is included as an important element of the agricultural trade agenda. South Africa became a member of the Global Alliance shortly thereafter.

The Global Alliance is a diverse group of sugar producing nations. The Alliance represents more than 50 percent of world sugar production and more than 85 percent of world raw sugar exports. Except for Australia, Canada and South Africa, all members of and observers to the Global Alliance are developing countries.

By reaching an agreement to collaborate on trade distorting issues, agreeing on common objectives, and working closely with Trade and Agriculture Ministers in the Cairns Group, the Global Alliance has been successful in elevating the profile of sugar in the trade negotiations. Given that the member countries are major competitors in the world sugar market, agreeing on a common negotiating framework for sugar has been a significant step forward, reflecting the fact that the sugar industry in each country shares the objective of improving its market circumstances.

The Global Alliance is not just another global commodity group designed to share information. It incorporates three new ingredients.

1. It shows that there is a wide international coalition of producers seeking an improved world sugar trading environment.
2. As a group comprising largely developing countries, it provides an effective countervailing voice to advocates for trade protection.
3. It provides a basis for Trade and Agricultural Ministers to engage each other on sugar issues with the knowledge that their domestic industries are fully supportive of their negotiating position. It adds strength to their hands. This flows through to the officials' level too. The environment within which the agricultural negotiations are occurring is being conditioned. Already, officials in Geneva and elsewhere are anticipating that much closer attention will be paid to sugar this time around.

Despite the fact that it has no official recognition within the WTO, the Global Alliance is likely to have an influence on the agricultural negotiations as they relate to sugar. It will be developing targeted proposals that make a constructive contribution to the trade debate. At the aggregate level, the U.S. and EU will no longer be able to limit the consideration of agricultural trade issues to matters of transatlantic significance alone.

### **WTO Negotiations on Agriculture**

In finally bringing agricultural trade under a rules-based framework, the Uruguay Round took an important procedural step towards reducing agricultural support and protection. The Uruguay Round also committed WTO members to fundamental reform resulting in

correcting and preventing restrictions and distortions in world agricultural markets. Yet, despite these steps, agriculture remains today the most highly protected and subsidised sector in the world economy. The Organization for Economic Cooperation and Development (OECD) has confirmed that support to farmers in industrialised countries, calculated at more than US \$327 billion in 2000, has returned to the high levels existing before the end of the Uruguay Round.

Agriculture is already the most distorted sector of international trade, and sugar is one of the most distorted sectors of agricultural trade. It is important to note that the sugar sector did not miss out entirely on liberalisation during the Uruguay Round, but progress was modest and restricted to outcomes such as confirmation of minimum market access volumes and export subsidy disciplines on sugar exports.

### ***Cairns Group Position***

The Cairns Group is committed to building on the Uruguay Round outcome by seeking a fair and market oriented agricultural trading system as sought by the Agreement on Agriculture. To this end, the Cairns Group is united in its resolve to ensure that WTO agricultural negotiations achieve fundamental reform which will put trade in agricultural goods on the same basis as trade in other goods.

The Cairns Group focus is on liberalisation for agrifood products as a whole. Cairns Group proposals for reform of agricultural trade do not differentiate between particular commodity sectors. The reform proposals therefore apply equally to sugar as to other agricultural commodities, reflecting the diverse export interests of the group's membership.

Under the WTO Agriculture Agreement, negotiations commenced in January, 2000. During the first year of the negotiations, the Cairns Group submitted negotiating proposals in four major areas: domestic support, market access, export competition, and export restrictions and taxes.

- Domestic Support

The proposal sought major reductions in domestic support leading to the elimination of all forms of trade and production-distorting support. It proposed that only non-distorting forms of support should be permitted within the context of declining levels of support. The proposal also recognised the need for enhanced special and differential treatment provisions to address the agricultural and rural development needs of developing and least developed countries, and to increase the living standards of their populations.

- Market Access

The proposal called on WTO members to deliver, in an agreed timeframe, vastly improved market access opportunities for all agricultural and agrifood products. The proposal emphasised that the result must ensure commercially viable and non-discriminatory access on conditions no worse than those applying to other goods, while ensuring that existing access conditions are not undermined.

- Export Competition

The proposal called for the complete elimination of all forms of agricultural export subsidies.

- Export Restrictions and Taxes

The proposal called for the development of improved disciplines on export restrictions and taxes, and the elimination of tariff escalation.

### ***The U.S. Position***

In its proposal for comprehensive long-term agricultural trade reform (in June, 2000), the United States lodged with the WTO an approach to correcting and preventing restrictions and distortions in world agricultural markets. The comprehensive nature of the plan was such that it made no exceptions for individual commodities. Three areas of the U.S. proposal worth highlighting are:

- Export subsidies: to reduce to zero the level of budgetary outlays and quantity commitments through progressive implementation of annual reduction commitments over a fixed period
- Market access: to maximise market access opportunities for all countries and to make the level and structure of tariff bindings more uniform for all countries for all products. The U.S. is seeking to reduce substantially, or to eliminate, all tariffs, including in-quota duties, by reducing them from applied rates through progressive implementation of annual reduction commitments over a fixed period
- Domestic Support: to reduce substantially trade distorting domestic support in a manner that corrects the disproportionate levels of support members use, while simplifying the way in which support is disciplined.

In terms of the U.S. proposal, it will be important to ensure that the current high levels of domestic support offered by the so called emergency aid packages are not locked in.

### ***Global Alliance Position***

The Global Alliance's approach on sugar compliments the objectives of the Cairns Group. It is also consistent with the broad thrust of the negotiating proposal tabled by the U.S.

The specific objectives the Global Alliance has set for sugar are that:

- Export subsidies should be phased out:
  - The Global Alliance, like the Cairns Group, the U.S., and most economic commentators, recognises that export subsidies are amongst the most distorting of all trade policy instruments. They both reduce world sugar prices and distort competition for access to markets for all exporting countries.
- Domestic support must not distort trade:
  - One outcome of the Uruguay Round was the introduction of policies designed to replace highly trade distorting price support systems with direct income payments to farmers. This change has not been applied to sugar in a meaningful manner and in some countries the strength of sugar prices relative to other agricultural commodity prices has encouraged strong increases in sugar production.
- Market access needs to be improved:
  - To maximise effective market access opportunities for all countries to all markets, it is important that all non-tariff barriers be removed.

Like the Cairns Group, the Global Alliance recognises that agriculture plays a special role in many developing countries. As noted above, most Global Alliance members are developing countries. Agriculture has far reaching implications for employment and the growth and development in these economies. It is very important that the special status of agriculture in many developing countries be recognised in the WTO.

### **The WTO Is Not the Only Game in Town**

The signs are clear that the WTO negotiations on agriculture will continue for some time to come yet. Although there is rhetoric that the negotiations should conclude quickly, no end date has been set. In March 2001, the negotiations moved from their first phase into the second and more challenging stage. Against this backdrop, changes to farm policy in both the U.S. and EU are being considered.

The U.S. Farm Bill of 2002 will provide useful insights into the negotiating position that the U.S. will take into the WTO negotiations on agriculture. In Europe the short term political deadlock over the future of the sugar regime was resolved in May 2001 when the Council of Agriculture Ministers agreed unanimously on the new Sugar Regime to apply from 1 July, 2001. However, the agreement also foreshadowed some decisions to come. There will be a mid-term review of the Sugar Regime at the beginning of 2003. The Commission will make a report, accompanied, if necessary, by proposals for modifications. Some may view this as an effective three year extension of the regime. This review will be occurring at a time when sugar imports under the Everything But Arms (EBA) proposal will be much closer; and in the context of further enlargement of the European Community which, by then, will be much closer. It will

also be occurring with the WTO agricultural negotiations much further advanced than they presently are.

It will be important not to underestimate the importance of the EBA proposal. The prospect of access to the EU may change the dynamics of sugar production in some of these countries. It will be interesting to see whether the EBA encourages increased investment in production capacity similar to those that occurred in Mexico following the North American Free Trade Agreement.

Within the EU itself the dynamics of agricultural policy formulation appear to be changing as consumers and some policy members review the implications of mad-cow disease (*bovine spongiform encephalopathy, BSE*) and foot and mouth disease (FMD). For example, the EBA proposal was an initiative of the Trade Directorate and its impacts have needed to be accommodated by others. At the broader political level there is some evidence to suggest a shifting of approach by some governments in Europe. If this occurs, there is a prospect that the next review will bring a more wide-ranging reform of the regime which the Global Alliance would encourage. Change appears inevitable. The Global Alliance would be pleased to engage in a constructive dialogue over the shape of those changes with all players involved, both within the EU and elsewhere.

The outcome of the 2002 U.S. Farm Bill will be a very important determinant of the final position the U.S. takes to the WTO agricultural negotiations. The outcome of the WTO negotiations will, in turn, be another important influence on the development of EU agricultural policy. Cast in this light, the second half of 2001 could prove to be pivotal for the WTO agricultural negotiations in Washington, D.C.

## **Conclusion**

The Cairns Group was instrumental during the Uruguay Round in placing agriculture on the trade agenda. The new discussions will require the same concerted effort from the Cairns Group to achieve much tighter disciplines on agriculture, particularly if those negotiations proceed in the absence of a broader round. The lack of negotiating tension between the U.S. and EU over sugar is the reason why third parties such as the Global Alliance for Sugar Trade Reform and Liberalisation will need to continue to mount the case for reform to ensure that sugar has a prominent position on the agricultural agenda.

Solving the sugar problem will require a coordinated effort. By working with governments and explaining the imperative and benefits of opening markets for sugar, the Global Alliance is determined to ensure that there will be positive, progressive and meaningful liberalisation of sugar policies as a part of the WTO outcomes.